

Agenda

Finance and Audit Committee

November 4, 2020 | 11:00-11:45 a.m. Eastern

Attendees: [Join Meeting](#)

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

- 1. Minutes* – Approve**
 - a. August 19, 2020
- 2. Third Quarter Calendar of FAC Responsibilities**
 - a. Third Quarter Statement of Activities* – **Review and Recommend to Board of Trustees for Acceptance**
 - i. NERC Summary of Results as of September 30, 2020
 - ii. Combined ERO Enterprise Summary of Results as of September 30, 2020
 - iii. Regional Entity Variance Reports as of September 30, 2020
- 3. 2021 Business Plan and Budget Status – Update**
- 4. 2022 Business Plan and Budget Schedule* – Review**
- 5. Other Business and Adjournment**

*Background materials included.

Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

DRAFT Minutes

Finance and Audit Committee

August 19, 2020 | 2:30-3:30 p.m. Eastern

Conference Call

Mr. Robert G. Clarke, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on August 19, 2020, at approximately 2:30 p.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Robert G. Clarke, Chair

Suzanne Keenan

Robin E. Manning

Jim Piro

Roy Thilly, *ex officio*

Board of Trustees Members

Kenneth W. DeFontes

George Hawkins

James B. Robb, President and Chief Executive Officer

Jan Schori

Colleen Sidford

NERC Staff

Tina Buzzard, Assistant Corporate Secretary

Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC

Kelly Hanson, Senior Vice President and Chief Administrative Officer

Mark Lauby, Senior Vice President and Chief Engineer

Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary

Janet Sena, Senior Vice President, External Affairs

Andy Sharp, Vice President, Finance

Introduction and Chair’s Remarks

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda. He welcomed Ms. Hanson to the meeting in her role as Senior Vice President and Chief Administrative Officer.

NERC Antitrust Compliance Guidelines

Ms. Buzzard directed the participants’ attention to the NERC Antitrust Compliance Guidelines included in the agenda, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

Minutes

Upon motion duly made and seconded, the Committee approved the July 23, 2020, June 4, 2020, and May 13, 2020 meeting minutes, as presented.

Second Quarter Statement of Activities

Mr. Sharp reviewed the year to date Second Quarter Unaudited Financial Statements for NERC and for the ERO Enterprise, referencing the materials included in the advance agenda package.

Mr. Sharp noted that NERC is under budget for funding, with total expenditures \$4.1 million under budget due to timing of expenditures, lower spending on meetings and travel, and cost savings efforts. He highlighted that NERC is projected to be under budget for funding and total expenditures, with a projected \$1.4 million increase in operating reserves at year-end.

Mr. Sharp reviewed the ERO Enterprise results year to date and projections for year end. He stated that the ERO Enterprise was under budget through the second quarter, noting that MRO was at budget and WECC and Texas RE were over budget. He highlighted that the ERO Enterprise is projected to be under budget by \$7.9 million at year-end.

After discussion, and upon motion duly made and seconded, the Committee recommended the Second Quarter Unaudited Financial Statement of Activities for acceptance by the Board.

NERC and Regional Entity Proposed 2021 Business Plans and Budgets and Associated Assessments

Mr. Sharp reviewed the NERC 2021 Business Plan and Budget (BP&B), referencing the material provided in the advance agenda package. He noted the budget goal of achieving little to no assessment increase in response to pandemic impacts despite significant budget pressures. Mr. Sharp highlighted the budget drivers, NERC and E-ISAC budget change between 2020 and 2021, projected reserve balances, and preliminary 2022 and 2023 projections.

Mr. Sharp reviewed the ERO Enterprise combined 2021 budgets and assessments, referencing the material included in the advance agenda package. He emphasized the creation and use of a new document summarizing NERC's review process for the Regional Entity budgets and assessments. Mr. Sharp clarified that the procedural document focuses on evaluating the adequacy of resources and activities to perform delegated functions and the alignment of the Regional Entity's goals, objectives, and activities to the ERO Enterprise Long-Term Strategy and related focus areas. He reviewed the ERO Enterprise long-term strategy focus areas, the ERO Enterprise 2021 budget by program area, the ERO Enterprise 2021 assessments, and the ERO Enterprise weighted average budget and assessment increases. The Committee expressed its appreciation of the Regional Entity budget review process.

After discussion, and upon motion duly made and seconded, the Committee recommended the NERC and Regional Entity Proposed 2021 Business Plans and Budgets and Associated Assessments for approval by the Board.

Annual Renewal of Unsecured Line of Credit

Mr. Sharp presented on the annual renewal of an unsecured line of credit, highlighting that NERC has maintained an unsecured line of credit with a lender for emergency working capital needs or unforeseen contingencies since 2007. He noted that the currently effective line of credit expires August 29, 2020. Mr. Sharp emphasized that the lender pre-approved NERC for a new \$4 million unsecured line of credit with a maturity date of June 20, 2021. After discussion, and upon motion duly made and seconded, the Committee recommended the renewal of the unsecured line of credit for approval by the Board.

Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary

Summary of Unaudited Results For the Period Ending September 30, 2020

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Executive Summary

Projected Year-End Results (\$ millions)

	<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues		\$ 81.0	\$ 82.0	\$ (1.0)
Funding from Reserves				
Assessment Stabilization Reserve		-	-	-
	TOTAL FUNDING	\$ 81.0	\$ 82.0	\$ (1.0)
EXPENDITURES				
Expenses (excluding Depreciation)		\$ 74.1	\$ 77.9	\$ (3.8)
Fixed Asset Additions		6.6	4.7	1.9
Net Financing Activity		(1.5)	0.1	(1.6)
	TOTAL EXPENDITURES	\$ 79.2	\$ 82.7	\$ (3.5)
	RESERVE INCREASE (DECREASE)	\$ 1.8	\$ (0.7)	\$ 2.5

Funding

- Revenues
 - Expected to be under budget at year-end due to lower investment income (from lower interest rates) and third-party revenues for the CRISP program because of lower program costs required to be funded by CRISP members.

Expenditures

- Expenses (excluding depreciation)
 - Personnel expenses are expected to be under budget due to the deferred hiring of currently open positions until 2021 and certain E-ISAC positions budgeted as FTEs that are being filled with contract labor, and is partially offset by higher expenses in several departments because of lower attrition.
 - Meeting and Travel expenses are projected to be under budget because of the cancellation of in-person meetings and lower employee travel due to the pandemic.
 - Contracts and Consultants expenses are expected to be over budget at year-end, with E-ISAC over budget from FTE positions being filled with contract labor, which is offset by lower third-party contractor costs for the CRISP program, reprioritization of certain projects due to the

pandemic, and savings efforts to help fund a portion of the unbudgeted Secure Evidence Locker Project and 2020 Align costs to reduce future debt service.

- Fixed Asset Additions
 - Projected to be over budget by year-end due to the unbudgeted costs for the Secure Evidence Locker project, which is partially offset by the deferral of hardware and software costs and postponement of Atlanta office renovation costs.
- Net Financing Activity
 - The 2020 budget anticipated that NERC would pay off slightly more in principal than it would receive in loan proceeds, but because NERC is now expected to borrow funds for a portion of the unbudgeted Secure Evidence Locker project, NERC is projected to receive more in loan proceeds than it will pay off in principal.

Operating Reserve Increase (Decrease)

- Projected reserve increase from operating activity is \$1.8M versus a budgeted decrease of \$0.7M.

**Year-to-Date Actual Results
(\$ millions)**

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 61.3	\$ 61.5	\$ (0.2)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 61.3	\$ 61.5	\$ (0.2)
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 53.9	\$ 58.4	\$ (4.5)
Fixed Asset Additions	1.9	3.5	(1.6)
Net Financing Activity	0.5	0.1	0.4
TOTAL EXPENDITURES	\$ 56.3	\$ 62.0	\$ (5.7)
RESERVE INCREASE (DECREASE)	\$ 5.0	\$ (0.5)	\$ 5.5

Funding

- Revenues
 - Slightly under budget due to lower investment income (from lower interest rates) and system operator revenue.

Expenditures

- Expenses (excluding depreciation)
 - Personnel expenses are under budget primarily due to deferred hiring of open positions and certain E-ISAC positions that were budgeted as FTEs that are being filled with contract labor, which is being partially offset by higher expenses in several departments because of lower attrition.
 - Meeting and Travel expenses are below budget because of the cancellation of in-person meetings and lower employee travel due to the pandemic.
 - Contracts and Consultants expenses are lower than budget mainly attributable to lower than budgeted costs for a CRISP pilot program, timing of certain costs versus the budget, and reprioritization of certain projects due to the pandemic, which are partially offset by higher E-ISAC costs from FTE positions being filled with contract labor.
 - Office Costs expenses are below budget primarily due to lower than budgeted costs for CRISP program software and timing of costs versus the budget.
 - Professional Services expenses are under budget mainly due to lower than budgeted outside legal costs.

- Fixed Asset Additions
 - Under budget year-to-date (YTD) mainly due to the deferral of hardware and software costs to help fund a portion the Secure Evidence Locker project and 2020 Align costs to reduce future debt service, as well as the postponement of Atlanta office renovation costs.
- Net Financing Activity
 - The 2020 budget anticipated that NERC would make principal payments on borrowings for ERO projects. Because no borrowings for ERO projects have been made through September, actuals are lower than budget.

Operating Reserve Increase (Decrease)

- Actual reserve increase from operations is higher than budget by \$5.5 million.

Detailed Operating Results

Variances by Revenue and Expense Category

Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
TOTAL FUNDING	\$ 61,276,594	\$ 61,505,213	\$ (228,619)	(0.4%)	\$ 81,002,045	\$ 82,006,951	\$ (1,004,906)	(1.2%)
EXPENDITURES								
Personnel	\$ 33,900,371	\$ 34,948,620	\$ (1,048,249)	(3.0%)	\$ 45,210,009	\$ 46,598,160	\$ (1,388,151)	(3.0%)
Meetings and Travel	782,806	2,492,438	(1,709,631)	(68.6%)	853,659	3,323,250	(2,469,591)	(74.3%)
Consultants and Contracts	8,658,983	9,326,927	(667,944)	(7.2%)	12,875,686	12,435,902	439,784	3.5%
Office Rent	2,593,052	2,587,851	5,201	0.2%	3,464,580	3,450,468	14,112	0.4%
Office Costs, Professional, and Misc.*	7,904,894	8,772,543	(867,649)	(9.9%)	11,537,225	11,696,724	(159,499)	(1.4%)
Other Non-Operating	45,240	229,967	(184,727)	(80.3%)	89,544	306,623	(217,079)	(70.8%)
Fixed Asset Additions*	1,920,325	3,529,762	(1,609,437)	(45.6%)	6,619,865	4,706,349	1,913,516	40.7%
Net Financing Activity**	454,052	104,668	349,383	333.8%	(1,489,358)	139,558	(1,628,915)	(1167.2%)
TOTAL EXPENDITURES	\$ 56,259,723	\$ 61,992,775	\$ (5,733,053)	(9.2%)	\$ 79,161,210	\$ 82,657,034	\$ (3,495,823)	(4.2%)
RESERVE INCREASE (DECREASE)	\$ 5,016,871	\$ (487,562)	\$ 5,504,434	(1129.0%)	\$ 1,840,835	\$ (650,083)	\$ 2,490,917	(383.2%)
FTEs	200.9	213.4	(12.5)	(5.9%)	201.3	213.4	(12.1)	(5.7%)

* Excludes depreciation expense

** A positive amount indicates that NERC is paying off more principal than it is receiving in loan proceeds. A negative amount indicates that NERC is receiving more in loan proceeds than it is paying off principal.

Following is a brief summary of variances by category:

- Personnel expenses are under budget YTD and expected to be under budget at year-end largely because of deferred hiring of open positions until 2021 and also from open E-ISAC positions budgeted as FTEs that are being filled with contractor labor, which is being partially offset by higher expenses in several departments because of lower attrition.
- Meetings and Travel expenses are under budget YTD and expected to be under budget at year-end from decreased in-person meetings and travel due to the pandemic.

- Contracts and Consultants expenses are under budget mainly attributable to lower than budgeted costs for a CRISP pilot program, timing of certain costs versus the budget, and reprioritization of certain projects due to the pandemic, which are partially offset by higher E-ISAC costs from FTE positions being filled with contract labor. They are expected to be over budget at year-end because of the E-ISAC contractors and will be offset by lower third-party contractor costs for the CRISP program, reprioritization of projects to future years, and savings efforts to help fund the Secure Evidence Locker Project and 2020 Align costs to reduce future debt service.

CONTRACTS and CONSULTANTS	YTD Actual	YTD Budget	YTD Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)
Reliability Standards and Risk Issue Management	\$ 115,463	\$ 30,240	\$ 85,223	\$ 211,790	\$ 40,320	\$ 171,470
Compliance Assurance	-	37,500	(37,500)	50,000	50,000	(0)
Compliance Analysis, Registration, and Certification	29,220	30,240	(1,020)	41,200	40,320	880
Compliance Enforcement	-	-	-	50,000	-	50,000
Power System Analysis	-	47,250	(47,250)	-	63,000	(63,000)
Reliability Assessment and Technical Committees	29,220	273,990	(244,770)	66,200	365,320	(299,120)
Advanced System Analytics and Modeling	100,000	131,250	(31,250)	115,000	175,000	(60,000)
Performance Analysis	215,287	111,938	103,350	310,700	149,250	161,450
Situation Awareness	-	-	-	-	-	-
Event Analysis	64,460	7,500	56,960	84,267	10,000	74,267
E-ISAC	1,769,765	1,059,375	710,390	2,604,436	1,412,500	1,191,936
Training, Education and Personnel Certification	178,351	294,000	(115,649)	367,189	392,000	(24,811)
General and Administrative and Executive	(51,566)	-	(51,566)	(51,567)	-	(51,567)
Legal and Regulatory	30,580	225,000	(194,420)	226,135	300,000	(73,865)
Policy and External Affairs	76,560	15,000	61,560	134,300	20,000	114,300
Information Technology	1,199,224	1,354,269	(155,045)	1,536,935	1,805,692	(268,757)
Human Resources and Administration	519,378	570,000	(50,622)	776,160	760,000	16,160
Finance and Accounting	44,227	131,250	(87,023)	123,890	175,000	(51,110)
TOTAL (excluding CRISP)	\$ 4,320,168	\$ 4,318,802	\$ 1,366	\$ 6,646,635	\$ 5,758,402	\$ 888,233
CRISP	4,338,815	5,008,125	(669,310)	6,229,051	6,677,500	(448,449)
TOTAL (including CRISP)	\$ 8,658,983	\$ 9,326,927	\$ (667,944)	\$ 12,875,686	\$ 12,435,902	\$ 439,784

- Office Cost expenses are under budget YTD mainly due to the timing of expenditures versus the budget and lower than budgeted CRISP program software costs. Projected to be near budget at year-end.
- Professional Services expenses are under budget YTD and projected to be under budget by year-end largely because of lower than budgeted outside counsel costs.
- Fixed Asset Additions are under budget YTD due to the deferral of some hardware and software projects and the Atlanta office and meeting space renovations. Projected to be over budget by year-end due to the unbudgeted costs for the Secure Evidence Locker project and is partially offset by the deferral of the hardware, software, and Atlanta renovation costs to help fund that project.
- Net Financing Activity budget anticipated that NERC would pay off slightly more in principal than it would collect in loan proceeds, but because NERC is now expected to borrow for a portion of the unbudgeted Secure Evidence Locker project, NERC is projected to receive more in loan proceeds than it will pay off in principal.

Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD Actual	YTD Budget	YTD Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)
Reliability Standards and Risk Issue Management	\$ 2,668,637	\$ 2,938,734	\$ (270,096)	\$ 3,554,638	\$ 3,918,311	\$ (363,673)
Compliance Assurance	4,390,570	3,867,567	523,003	6,622,674	5,156,756	1,465,918
Compliance Analysis, Registration, and Certification	907,963	1,015,995	(108,032)	1,238,217	1,354,660	(116,444)
Compliance Enforcement	2,736,960	2,459,773	277,187	4,420,390	3,279,697	1,140,692
Power System Analysis	881,189	1,279,143	(397,954)	1,170,207	1,705,525	(535,317)
Reliability Assessment and Technical Committees	1,434,516	1,649,540	(215,024)	1,818,268	2,199,387	(381,118)
Advanced System Analytics and Modeling	882,139	1,044,481	(162,342)	1,260,277	1,392,641	(132,364)
Performance Analysis	1,239,005	1,541,971	(302,966)	1,725,507	2,055,961	(330,453)
Situation Awareness	1,896,620	2,206,642	(310,022)	2,588,289	2,942,190	(353,901)
Event Analysis	1,867,169	1,819,756	47,413	2,463,895	2,426,341	37,555
E-ISAC	8,577,549	9,278,184	(700,635)	11,967,052	12,370,912	(403,860)
Training, Education and Personnel Certification	977,114	1,199,637	(222,523)	1,444,157	1,599,516	(155,359)
General and Administrative and Executive	5,538,497	6,435,237	(896,739)	7,472,298	8,580,315	(1,108,017)
Legal and Regulatory	2,788,871	3,441,282	(652,411)	3,997,346	4,588,376	(591,029)
Policy and External Affairs	2,030,177	2,252,834	(222,657)	2,734,126	3,003,778	(269,652)
Information Technology	8,736,312	9,623,231	(886,919)	12,163,481	12,830,975	(667,493)
Human Resources and Administration	2,002,881	2,043,415	(40,534)	2,796,312	2,724,553	71,759
Finance and Accounting	1,675,733	1,817,429	(141,696)	2,374,595	2,423,239	(48,644)
TOTAL (excluding CRISP)	\$ 51,231,903	\$ 55,914,850	\$ (4,682,948)	\$ 71,811,732	\$ 74,553,134	\$ (2,741,402)
CRISP	5,027,820	6,077,925	(1,050,105)	7,349,478	8,103,900	(754,422)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 56,259,723	\$ 61,992,775	\$ (5,733,053)	\$ 79,161,210	\$ 82,657,034	\$ (3,495,823)

Following is a brief summary of significant variances by department:

- Compliance Assurance – Over budget YTD due to and expected to be over budget primarily because of higher than budgeted personnel expenses as well as unbudgeted hardware, software and maintenance costs for the Secure Evidence Locker. These costs are partially offset by loan proceeds for the Secure Evidence Locker and lower travel costs.
- Compliance Enforcement – Projected to be over budget primarily due to unbudgeted hardware, software and maintenance costs for the Secure Evidence Locker. These costs are partially offset by loan proceeds for the Secure Evidence Locker and lower personnel costs.
- Power System Analysis – Projected to be under budget largely because of lower personnel, travel costs, and consultant costs.
- E-ISAC – Under budget YTD primarily because of personnel underruns due to the deferral of FTEs to 2021.
- General & Administrative and Executive – Under budget YTD and projected to be under budget primarily due to the postponement of Atlanta office renovation costs, as well as lower personnel, meeting, travel, and excise tax expenses.
- Legal and Regulatory – Under budget YTD and expected to be lower than budget mainly in personnel and outside legal costs.
- Information Technology – Under budget YTD and projected to be under budget primarily in Contracts and Consultants and Fixed Assets in order to help fund a portion of the Secure Evidence locker and 2020 Align costs to reduce future debt service, and these costs are partially offset by higher personnel costs due to lower attrition.

- CRISP – Under budget YTD and projected to be under budget due to the timing of contractor and software license and maintenance costs.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2020		Operating and		12/31/2020
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾	Unbudgeted Funding/(Use)	Financing Activity Versus Budget ⁽³⁾	Projected Ending Balance ⁽⁴⁾
Operating Contingency	\$ 6,199,083	\$ (654,036)	\$ -	\$ 2,360,017	\$ 7,905,064
Future Obligations	2,119,719	(485,958)	-	-	1,633,761
Assessment Stabilization	2,521,000	-	-	-	2,521,000
System Operator	777,274	-	-	134,853	912,127
CRISP	500,000	-	-	-	500,000
Total Reserves	\$ 12,117,076	\$ (1,139,994)	\$ -	\$ 2,494,871	\$ 13,471,952

NOTES:

(1) 2020 beginning balances have been adjusted from the 12/31/2019 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2020 Business Plan & Budget contained a budgeted use of Operating Contingency Reserves totaling \$654,036 to lower assessments. The Future Obligations Reserve decrease of \$485,958 is a budgeted use of deferred rent reserves to fund a portion of office lease costs.

(3) This column reflects the projected reserve impact of operating and financing activities versus budget. In 2020, NERC is expected to be under budget primarily due to the deferral of some open FTE positions to 2021, lower meeting and travel costs, lower software and hardware spending, reduction of the Atlanta meeting space renovation costs, and no debt service on ERO projects. The approved capital investment of \$3.8M for the ERO SEL project, net of \$2.0M in loan financing, is included in 2020 operating activity and represents a projected \$1.8M use of Operating Contingency reserves during the year.

(4) The Operating Contingency Reserve at year-end is higher than target but is being planned to be reduced by \$1.8 million in the 2021 Business Plan & Budget for Align project delay costs.

Schedule 2 – IT Projects

IT Projects

Projects in Progress ⁽¹⁾	Project	Actual	Expected	Expected
	Budget ⁽²⁾	Spend	Year-to-Date	Over (Under)
			Spend	Budget
Align (2017-2021)	\$ 7,203,000	\$ 4,495,702	\$ 7,284,524	\$ 81,524
Secure Evidence Locker	2,265,000	270,119	2,265,000	-
E-ISAC Portal Replacement	259,680	19,800	259,680	-

Projects Completed in 2020	Project	Actual	Actual	Actual
	Budget ⁽¹⁾	Spend	Over (Under)	Budget
Microsoft Windows 10 Upgrade	\$ 169,890	\$ 146,176	\$ (23,714)	
Microsoft Teams Pilot	98,000	98,000	-	
End-Point Management	76,000	76,682	682	

NOTES:

(1) While the June 2020 report contained a project for the E-ISAC data center move, it has been removed from this report since the project costs were related to hardware and move costs rather than project implementation costs.

(2) The Project Budget noted above usually corresponds to the approved business case for each project and funds for each project are drawn from the available budget. In some projects, business cases may not be prepared, particularly when a project is smaller and/or may be in response to a FERC order.

* Some of these projects span multiple years, so the amounts above do not represent a single budget year expenditure.

* The amounts noted above do not include internal labor or license/maintenance/support costs and reflect only external (consultant) costs of the projects.

Schedule 2 (continued) – IT Projects

Align

(Started May 2017 / Planned Completion Q4 2021)

This project will provide registered entities, Regional Entities, and NERC the ability manage the compliance and enforcement processes and data in a single ERO Enterprise system. Today, those processes and related data are managed across three separate systems that have to be synchronized (webCDMS, CITS, and CRATS).

Secure Evidence Locker

(Started May 2020 / Planned Completion Dec 2020)

This is a key component of the NERC’s reimagined suite of Compliance Monitoring and Enforcement Program (CMEP) work and data management tools and will be implemented in conjunction with Align. It will be used for the collection and analysis of evidence provided by registered entities in connection with CMEP activities.

E-ISAC Portal Replacement

(Started Aug 2020 / Planned Completion Nov 2020)

This project will re-platform the current portal and ticket/case system, which will combine the functions and services into a single E-ISAC Sharing Platform (ESP) solution, allowing members, partners, and the E-ISAC staff to interact more effectively and efficiently.

Microsoft Windows 10 Upgrade

(Started Dec 2019 / Completed Feb 2020)

This project involved the upgrade of all laptops and desktops from Windows 7 to Windows 10. This upgrade provided a more secure environment. Microsoft stopped support of Windows 7 security patches in January 2020.

Microsoft Teams Pilot

(Started Apr 2020 / Completed Sep 2020)

This project implemented a basic Microsoft Teams environment that allows for a unified communication and collaboration platform that combines persistent workplace chat, video meetings, and file storage (including collaboration on files).

End-Point Management

(Started May 2020 / Completed Sep 2020)

This project will replace the current tool that is used as the application used for Windows security patching and updates.

Schedule 3 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 17,522,515	\$ 23,363,353	\$ 23,363,353	\$ -
Other Funding	5,941,858	7,153,706	7,956,784	(803,079)
TOTAL FUNDING	\$ 23,464,373	\$ 30,517,059	\$ 31,320,137	\$ (803,079)
EXPENDITURES				
Personnel Expense	\$ 6,368,455	\$ 8,485,789	\$ 9,825,628	\$ (1,339,838)
Meetings and Travel Expense	108,976	125,122	464,200	(339,078)
Operating Expenses (excluding Depreciation)	7,016,002	10,217,984	9,728,189	489,796
Fixed Asset Purchases (excluding Fixed Asset Allocation)	111,936	487,635	421,449	66,186
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	35,347	(35,347)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 13,605,369	\$ 19,316,530	\$ 20,474,812	\$ (1,158,282)
Indirect Expense Allocation	5,962,817	8,196,790	10,119,683	(1,922,893)
Fixed Asset Allocation	-	92,839	439,831	(346,992)
Net Financing Activity Allocation	121,309	136,428	285,811	(149,382)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 19,689,495	\$ 27,742,587	\$ 31,320,137	\$ (3,577,550)
RESERVE INCREASE (DECREASE)	\$ 3,774,877	\$ 2,774,471	\$ -	\$ 2,774,471

Schedule 3 (continued) – E-ISAC and CRISP Summary of Activity

CRISP					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 709,183	\$ 945,577	\$ 945,577	\$ -	
Other Funding	5,877,382	7,073,088	7,850,577	(777,489)	
TOTAL FUNDING	\$ 6,586,565	\$ 8,018,666	\$ 8,796,155	\$ (777,489)	
EXPENDITURES					
Personnel Expense	\$ 500,246	\$ 655,287	\$ 627,736	\$ 27,552	
Meetings and Travel Expense	16,995	17,497	49,200	(31,703)	
Operating Expenses (excluding Depreciation)	4,482,595	6,494,194	7,289,465	(795,271)	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	27,984	182,500	137,500	45,000	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 5,027,820	\$ 7,349,478	\$ 8,103,900	\$ (754,422)	
Indirect Expense Allocation	464,026	637,873	645,937	(8,064)	
Fixed Asset Allocation	-	7,225	28,074	(20,850)	
Net Financing Activity Allocation	9,440	10,617	18,243	(7,626)	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 5,501,286	\$ 8,005,193	\$ 8,796,155	\$ (790,962)	
RESERVE INCREASE (DECREASE)	\$ 1,085,279	\$ 13,473	\$ -	\$ 13,473	

E-ISAC (excluding CRISP)					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 16,813,332	\$ 22,417,776	\$ 22,417,776	\$ -	
Other Funding	64,476	80,617	106,207	(25,589)	
TOTAL FUNDING	\$ 16,877,808	\$ 22,498,393	\$ 22,523,983	\$ (25,589)	
EXPENDITURES					
Personnel Expense	\$ 5,868,209	\$ 7,830,502	\$ 9,197,892	\$ (1,367,390)	
Meetings and Travel Expense	91,981	107,625	415,000	(307,375)	
Operating Expenses (excluding Depreciation)	2,533,407	3,723,790	2,438,724	1,285,066	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	83,952	305,135	283,950	21,185	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	35,347	(35,347)	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 8,577,549	\$ 11,967,052	\$ 12,370,912	\$ (403,860)	
Indirect Expense Allocation	5,498,791	7,558,916	9,473,746	(1,914,829)	
Fixed Asset Allocation	-	85,614	411,757	(326,142)	
Net Financing Activity Allocation	111,869	125,812	267,568	(141,756)	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 14,188,209	\$ 19,737,395	\$ 22,523,983	\$ (2,786,588)	
RESERVE INCREASE (DECREASE)	\$ 2,689,598	\$ 2,760,998	\$ -	\$ 2,760,998	

ERO Enterprise (NERC and Regional Entities) Combined Summary of Unaudited Results

September 30, 2020

The ERO Enterprise was under budget \$12.0M (7.8%) for combined expense and fixed asset (capital) spending. The budget variances ranged from 11.8% to 2.9% under budget. The year-end projection for the ERO Enterprise is to be under budget by 4.3%.

Total Budget (Total Expenses plus Fixed Assets)

Entity	2020 YTD	2020 YTD	Over (Under)		2020 Year-End	2020 Year-End	Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%
NERC	\$ 56,259,724	\$ 61,992,776	\$ (5,733,052)	(9.2%)	\$ 79,161,209	\$ 82,657,033	\$ (3,495,824)	(4.2%)
MRO	11,603,597	13,155,727	(1,552,130)	(11.8%)	17,368,532	17,540,969	(172,437)	(1.0%)
NPCC	10,911,238	12,316,248	(1,405,010)	(11.4%)	15,147,648	16,601,649	(1,454,001)	(8.8%)
RF	16,752,298	17,794,430	(1,042,132)	(5.9%)	22,577,183	23,650,862	(1,073,679)	(4.5%)
SERC	16,827,616	18,054,992	(1,227,376)	(6.8%)	23,828,880	24,525,014	(696,134)	(2.8%)
Texas RE	9,938,918	10,239,682	(300,764)	(2.9%)	13,238,713	13,811,126	(572,413)	(4.1%)
WECC	19,531,023	20,249,498	(718,475)	(3.5%)	26,292,681	27,756,089	(1,463,408)	(5.3%)
	\$ 141,824,414	\$ 153,803,353	\$ (11,978,939)	(7.8%)	\$ 197,614,846	\$ 206,542,742	\$ (8,927,896)	(4.3%)

- NERC was under budget \$5.7M (9.2%) primarily due to deferred hiring and project-based expenditures as part of cost savings efforts, lower meeting and travel expenses as a result of COVID-19, and timing of expenses versus budget for certain operating costs. The company expects to be under budget \$3.5M (4.2%) at year-end mainly due to efforts to conserve spending to increase reserves to cash fund major projects and reduce future year debt service.
- MRO was under budget \$1.6M (11.8%), which is attributable primarily to reduced spending in meetings, travel, operating, and fixed asset expenditures due to impacts of COVID-19. The company expects to be under budget \$172k (1.0%) at year-end due to the same reason, offset by unbudgeted costs associated with an office expansion.
- NPCC was under budget \$1.4M (11.4%) mainly as a result of lower personnel costs and reduced spending on meetings, travel, and contracts and consultants due to impacts of COVID-19. The company expects to be under budget \$1.5M (8.8%) at year-end based on currently planned activities.
- RF was under budget \$1.0M (5.9%) largely due to lower-than-expected employee benefits, meetings, travel, and fixed asset purchases. The company expects to be under budget \$1.1M (4.5%) at year-end.
- SERC was under budget \$1.2M (6.8%) primarily because of lower spending on meetings, travel, contracts and consultants, and fixed asset purchases due to either timing or impacts of COVID-19. The company expects to be under budget \$696k (2.8%) at year-end.

- Texas RE was under budget \$301k (2.9%) largely as a result of lower personnel, meeting, and travel costs. The company expects to be under budget \$572k (4.1%) at year-end.
- WECC was under budget \$718k (3.5%) predominately due to lower personnel, meeting, and travel costs, offset by higher-than-budgeted operating expenses and fixed asset expenditures. The company expects to be under budget \$1.5M (5.3%) at year-end.

Variances by Expense and Fixed Asset Categories

Personnel Expenses

For the ERO Enterprise, personnel expenses, consisting of salaries, payroll taxes, benefits, and retirement costs, were collectively under budget \$2.2M (2.1%), ranging from 7.2% under budget to 3.7% over budget. The ERO Enterprise was under budget in FTEs by 21.8 (3.1%). The year-end projection for ERO Enterprise personnel expenses is to be under budget 1.3%, with FTEs under budget 1.3%. Significant variances are explained below.

Entity	Personnel Expenses					FTEs*				
	2020 YTD Actual	2020 YTD Budget	Over (Under) \$	Over (Under) %	Projected Year-End Variance	2020 YTD Actual	2020 YTD Budget	Over (Under) %	Over (Under) %	Projected Year-End Variance
NERC	\$ 33,900,371	\$ 34,948,620	\$(1,048,249)	(3.0%)	(3.0%)	200.9	213.4	(12.5)	(5.9%)	(5.7%)
MRO	9,707,838	9,362,018	345,819	3.7%	2.9%	60.0	63.0	(3.0)	(4.8%)	1.0%
NPCC	7,708,241	8,305,115	(596,873)	(7.2%)	(1.9%)	37.3	41.1	(3.8)	(9.2%)	(7.7%)
RF	14,971,803	15,085,786	(113,983)	(0.8%)	0.5%	82.0	79.4	2.7	3.4%	4.8%
SERC	14,095,082	14,108,269	(13,187)	(0.1%)	1.7%	96.0	98.0	(2.0)	(2.0%)	(2.0%)
Texas RE	7,923,362	8,084,105	(160,743)	(2.0%)	(3.3%)	60.0	60.0	-	0.0%	0.0%
WECC	14,853,463	15,453,398	(599,935)	(3.9%)	(2.9%)	139.8	143.0	(3.2)	(2.3%)	2.6%
	\$ 103,160,160	\$ 105,347,311	\$(2,187,151)	(2.1%)	(1.3%)	676.0	697.8	(21.8)	(3.1%)	(1.3%)

* Represents equivalent full time positions from a budget and actual financial perspective and does not necessarily represent headcount.

- NERC was under budget \$1.1M (3.0%) predominately due to deferred hiring of open positions until 2021 and also from open E-ISAC positions budgeted as FTEs that are being filled with contractor labor, partially offset by lower attrition in some departments. The company expects to be under budget \$1.4M (3.0%) at year-end for this same reason.
- MRO was over budget \$346k (3.7%), which is mainly attributable to higher-than-anticipated salary expenses. The company expects to be over budget \$365k (2.9%) at year-end.
- NPCC was under budget \$597k (7.2%) primarily due to open positions at various times throughout the year. One open position is actively being filled. The company expects to be under budget \$210k (1.9%) at year-end.
- RF was under budget \$114k (0.8%) mainly because medical benefits were under budget as a result of employee medical benefit selections, as well as underutilized budgeted training. The company expects to be over budget \$105k (0.5%) at year-end due to a realignment of employees in the first quarter and the filling of vacant positions.

- SERC was near budget. The company expects to be over budget \$326k (1.7%) at year-end due to improved hiring and retaining of talent resulting in lower than budgeted vacancies.
- WECC was under budget \$600k (3.9%) due to higher-than-anticipated vacancy rates and lower employee benefit costs, as well as less-than-anticipated health reimbursements. The company expects to be under budget \$624k (2.9%) at year-end.

Travel, Meeting, and Conferencing Expenses

For the ERO Enterprise, travel, meeting, and conferencing expenses were collectively under budget \$5.9M (76.6%). The year-end projection for the ERO Enterprise is to be under budget 72.9%. All organizations were under budget and expect to be under budget at year-end due to the impacts of COVID-19, including suspended travel and cancelled, postponed, or converted meetings.

Meeting, Travel, and Conferencing Expenses

Entity	2020 Budget	Meetings & Conference		2020 Actual	Over (Under)		Projected Year- End Variance to Budget
		Calls	Travel		\$	%	
NERC	\$ 2,492,438	\$ (458,069)	\$ (1,251,562)	\$ 782,807	\$ (1,709,631)	(68.6%)	(74.3%)
MRO	963,474	(122,700)	(753,980)	86,794	(876,680)	(91.0%)	(91.0%)
NPCC	842,355	(205,820)	(490,379)	146,156	(696,199)	(82.6%)	(85.6%)
RF	742,140	(146,786)	(414,586)	180,768	(561,372)	(75.6%)	(80.9%)
SERC	845,426	(298,388)	(408,736)	138,302	(707,124)	(83.6%)	(73.9%)
Texas RE	271,034	(24,379)	(166,762)	79,893	(191,141)	(70.5%)	(66.4%)
WECC	1,511,097	(345,137)	(786,442)	379,518	(1,131,579)	(74.9%)	(81.0%)
	\$ 7,667,964	\$ (1,601,279)	\$ (4,272,447)	\$ 1,794,238	\$ (5,873,726)	(76.6%)	(79.2%)

Operating Expenses

For the ERO Enterprise, operating expenses, consisting of consultants and contracts expenses, office rent, office costs, professional services, and miscellaneous costs, were collectively under budget \$2.0M (5.4%). The year-end projection for the ERO Enterprise is to be over budget 0.1%. Significant variances are explained below.

Operating Expenses

Entity	2020 Budget	Contracts & Consultants		Professional			2020 Actual	Over (Under)		Projected Year- End Variance to Budget
		Office Rent	Office Costs	Services	Miscellaneous	\$		%		
NERC	\$ 20,687,321	\$ (667,944)	\$ 5,201	\$ (471,360)	\$ (366,412)	\$ (29,877)	\$ 19,156,929	\$ (1,530,392)	(7.4%)	1.1%
MRO	2,653,985	(566,909)	(30,302)	(280,755)	(11,125)	-	1,764,893	(889,092)	(33.5%)	(19.8%)
NPCC	3,390,866	(148,697)	(30,435)	72,972	44,390	(26,616)	3,302,480	(88,386)	(2.6%)	(3.9%)
RF	1,589,004	(153,979)	32,777	58,168	68,338	(3,917)	1,590,391	1,387	0.1%	(4.9%)
SERC	2,887,965	(543,917)	40,449	190,171	(30,280)	(1,200)	2,543,189	(344,776)	(11.9%)	(3.1%)
Texas RE	1,884,543	140,300	(24,300)	472	(65,352)	-	1,935,663	51,120	2.7%	1.5%
WECC	3,651,385	367,894	(13,049)	93,884	359,681	-	4,459,795	808,410	22.1%	17.0%
	\$ 36,745,068	\$ (1,573,251)	\$ (19,659)	\$ (336,448)	\$ (761)	\$ (61,611)	\$ 34,753,339	\$ (1,991,729)	(5.4%)	0.1%

- NERC was under budget \$1.5M (7.4%) mainly due to lower-than-budgeted costs for the CRISP pilot program, timing of expenditures versus budget for contracts and consultants and office costs, and lower-than-expected spending on budgeted outside counsel costs. The company expects to be

over budget \$294k (1.1%) at year-end due to higher E-ISAC contractor costs from FTE positions being filled with contract labor, offset by lower spending in other areas.

- MRO was under budget \$889k (33.5%) primarily due to reduced spending in a majority of operating areas as a result of COVID-19, including lower onsite operations. The company expects to be under budget \$701k (19.8%) at year-end.
- NPCC was under budget \$88k (2.6%) mainly because of timing of the use of contractors for compliance audits and other engagements that have been deferred due to COVID-19, offset by higher-than-budgeted expenses in professional services due to the timing of the independent financial audit. The company expects to be under budget \$180k (3.9%) at year-end.
- RF was near budget. Contracts and consultants were under budget primarily due to the cancellation and postponement of planned contract support for most corporate activities as a result of COVID-19, offset by (1) higher-than budgeted utility fees, (2) a combination of timing of, unbudgeted, and higher-than-expected office costs, and (3) a higher-than-budgeted increase in independent director fees. The company expects to be under budget \$114k (4.9%) at year-end.
- SERC was under budget \$345k (11.9%) largely because of less-than-budgeted independent director search fees and Compliance User Group costs, and reclassification and timing of expenses. The company expects to be at \$123K (3.1%) under budget at year-end.
- WECC was over budget \$808k (22.1%) primarily due to unanticipated IT consulting costs (net of the elimination of RAPA consulting expenses) and legal fees. The company expects to be over budget \$816k (17.0%) at year-end for this same reason.

Indirect Expense Allocation

NPCC and WECC allocate overhead expenses to their non-statutory functions. Through the third quarter, NPCC allocated \$28k (9.1%) more than budgeted and WECC allocated \$3k (0.7%) less than budgeted. At year-end, NPCC expects to be at budget and WECC expects to allocate \$8k (1.5%) more than budgeted.

Fixed Asset (Capital) Additions

For the ERO Enterprise, fixed asset (capital) additions were under budget \$2.1M (46.6%). The year-end projection for the ERO Enterprise is to be over budget 54.1%. Significant variances are explained below.

Entity	Fixed Asset Additions							
			Over (Under)		2020 Year-End		Over (Under)	
	2020 YTD Actual	2020 YTD Budget	\$	%	2020 Year-End Projected	End Budgeted	\$	%
NERC	\$ 1,920,325	\$ 3,529,762	\$ (1,609,437)	(45.6%)	\$ 6,619,866	\$ 4,706,349	\$ 1,913,517	40.7%
MRO	44,073	176,250	(132,177)	(75.0%)	1,567,300	235,000	1,332,300	566.9%
NPCC	89,409	85,000	4,409	5.2%	170,000	170,000	-	0.0%
RF	9,336	377,500	(368,164)	(97.5%)	195,000	390,000	(195,000)	(50.0%)
SERC	51,043	213,332	(162,289)	(76.1%)	412,481	330,000	82,481	25.0%
Texas RE	-	-	-	0.0%	30,000	30,000	-	0.0%
WECC	256,509	55,000	201,509	366.4%	117,713	52,014	65,699	126.3%
	\$ 2,370,694	\$ 4,436,844	\$ (2,066,150)	(46.6%)	\$ 9,112,360	\$ 5,913,363	\$ 3,198,997	54.1%

- NERC was under budget \$1.6M (45.6%) largely due to the deferral of some hardware and software projects and the Atlanta office and meeting space renovations. The company expects to be over budget \$1.9M (40.7%) at year-end due to the unbudgeted costs for the ERO Secure Evidence Locker (SEL), partially offset by the deferral of hardware, software, and Atlanta renovation costs. The unbudgeted investment for the ERO SEL was approved by FERC on June 22, 2020, and will be partially funded by operating reserves, with the remaining cost funded by debt financing.
- MRO was under budget \$132k (75.0%) due timing of expenses for software. The company expects to be over budget \$1.3M (566.9%) at year-end due to an unbudgeted expansion of office space, offset by lower spending in other areas.
- NPCC was over budget \$4k (5.2%) due to timing of expenses and expects to be on budget at year end.
- RF was under budget \$368k (97.5%) due to timing of expenses and the cancellation and postponement of planned projects due to the impacts of COVID-19. The company expects to be under budget \$195k (50.0%) at year-end.
- SERC was under budget \$162k (76.1%) because of deferred IT projects. The company expects to be over budget \$82k (25.0%) at year-end due to an accelerated timeline for the member portal project.
- Texas RE did not have any fixed asset expenditures budgeted through the third quarter. The company expects to be at budget at year-end.
- WECC was over budget \$202k (366.4%) primarily due to unbudgeted office and meeting space improvements. Most of the variance will be reimbursed through a negotiated tenant improvement allowance. The company expects to be over budget \$66k (126.3%) at year-end.

Working Capital and Operating Reserves (excluding CRISP)

The ERO Enterprise began the 2020 year with approximately \$4.6M more in reserves than anticipated in the 2020 budget. This was primarily because of favorable budget variances from the 2019 year.

2020 Beginning Reserve Balances

Entity	Actual	Budget	Over (Under)
NERC	\$ 11,617,076	\$ 9,454,106	\$ 2,162,970
MRO	4,769,485	4,934,448	(164,963)
NPCC	5,017,751	4,426,112	591,639
RF	4,191,175	3,700,836	490,339
SERC	1,855,528	1,201,725	653,803
Texas RE	3,823,564	2,530,999	1,292,565
WECC	7,339,148	7,752,113	(412,965)
	\$ 38,613,727	\$ 34,000,339	\$ 4,613,388

As shown in the table below, through the third quarter, the ERO Enterprise budgeted the addition of \$7.2M in reserves while actually generating \$19.0M. This resulted in the unanticipated addition of \$11.8M in total reserves through the third quarter.

2020 Change in Reserve Balances			
Entity	YTD Actual	YTD Budget	Over (Under)
NERC	4,892,897	(852,031)	5,744,928
MRO	1,552,130	-	1,552,130
NPCC	730,037	(650,345)	1,380,382
RF	276,498	(868,891)	1,145,389
SERC	2,007,244	881,850	1,125,394
Texas RE	793,330	508,414	284,916
WECC	8,740,752	8,134,953	605,799
	\$ 18,992,887	\$ 7,153,950	\$ 11,838,938

The combined effect of higher balances at the beginning of the year and adding additional reserves through the third quarter of 2020 resulted in a combined year-to-date reserve balance of \$57.6M, which is \$16.5M more than was anticipated in the 2020 budget. During the remainder of 2020, the ERO Enterprise anticipates using some of these reserves for normal operations and expects the year-end balance to be \$44.0M, which is approximately \$9.8M over the 2020 budget amount of \$34.2M.

2020 YTD and Projected Year-End Reserve Balances							
Entity	YTD Actual	YTD Budget	Over (Under)	Entity	Year-End Projected Balance	Year-End Budgeted Balance	Over (Under)
NERC	\$ 16,509,973	\$ 8,602,075	\$ 7,907,898	NERC	\$ 12,971,953	\$ 10,590,147	\$ 2,381,806
MRO	6,321,615	4,934,448	1,387,167	MRO	4,941,922	4,934,448	7,474
NPCC	5,747,788	3,775,767	1,972,021	NPCC	5,348,840	3,406,500	1,942,340
RF	4,467,673	2,831,945	1,635,728	RF	4,228,433	2,528,150	1,700,283
SERC	3,862,772	2,083,575	1,779,197	SERC	2,480,114	1,260,834	1,219,280
Texas RE	4,616,894	3,039,413	1,577,481	Texas RE	4,658,978	2,814,000	1,844,978
WECC	16,079,900	15,887,066	192,834	WECC	9,359,094	8,680,274	678,820
	\$ 57,606,614	\$ 41,154,289	\$ 16,452,326		\$ 43,989,334	\$ 34,214,353	\$ 9,774,981

As it approaches the 2021 budget year, the ERO Enterprise is expected to begin the year with \$3.0M more in reserves above what was planned in the combined budgets.

2020 Ending Reserves vs 2021 Beginning Reserves			
	2020	2021	
	Year-End	Beginning	
	Projected	Budgeted	Over
Entity	Balance	Balance	(Under)
NERC	\$ 12,971,953	\$ 12,604,897	\$ 367,056
MRO	4,941,922	4,572,271	369,651
NPCC	5,348,840	5,214,288	134,552
RF	4,228,433	3,818,989	409,444
SERC	2,480,114	2,477,698	2,416
Texas RE	4,658,978	4,087,192	571,786
WECC	9,359,094	8,184,307	1,174,787
	\$ 43,989,334	\$ 40,959,642	\$ 3,029,692



Lam Chung, Corporate Treasurer

P: 651.256.5187

F: 651.855.1712

E: lam.chung@mro.net

October 20, 2020

Mr. Andy Sharp
North American Electric Reliability Corporation (NERC)

RE: Unaudited Midwest Reliability Organization (MRO) 2020 Third Quarter Statement of Activity – Cash Flow through September 30, 2020

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. Third quarter results indicate that MRO's budget remains underspent by 12 percent.

Expectations for budget performance continue to evolve as MRO monitors its work progress in a pandemic environment.

Meeting Expenses (Variance of \$876,680 (91.0%) under budget)

Meetings and travel have been severely impacted by COVID-19. MRO has transitioned to 100 percent virtual means using WebEx technology through year-end. In-person meetings and travel will be re-evaluated in first quarter 2021.

Operating Expenses (Variance of \$889,092 (33.5%) under budget)

There is reduced spending in consulting, contracts, and office costs due to COVID-19. As staff continues to work through remote capability, much of the cost to maintain onsite operations remains low into the fourth quarter. Internal IT staff continue to maintain MRO's virtual environment. Both rent and professional services are on budget and expected to meet budget at year-end.

Budget Outlook

The 2020 budget has seen minimal travel and in-person meetings in response to COVID-19. Reallocation of budget costs in this area and in budgeted consulting and office costs will offset the unbudgeted costs of a Board-approved office expansion to accommodate increased staff and physical distancing. Construction is currently in progress and an increase in fixed asset expense will materialize in the fourth quarter. Overall, MRO anticipates under budget year-end results.

If you have any questions regarding this report, please contact me. Thank you.

Lam Chung
Vice President and Engineer for Strategy, Innovation, and Finance

Cc: Sara Patrick, MRO President and CEO



**Midwest Reliability Organization
Statement of Activity
9/30/2020
PRELIMINARY (Unaudited)**

(In Whole Dollars)

	2020 YTD Actual	2020 YTD Budget	2020 YTD Variance	%	Projected 2020 End Of Year	2020 Budget	2020 Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 12,737,438	\$ 12,737,438	-		\$ 16,983,251	\$ 16,983,251	-	
Penalty Sanctions	418,289	418,289	-		557,718	557,718	-	
Total ERO Funding	\$ 13,155,728	\$ 13,155,727	\$ -		\$ 17,540,969	\$ 17,540,969	\$ -	
Personnel Expenses								
Salaries	\$ 7,392,367	\$ 7,000,697	391,671		\$ 9,832,389	\$ 9,334,262	498,127	
Payroll Taxes	456,724	439,953	16,771		544,544	586,604	(42,060)	
Benefits	736,496	796,186	(59,690)		897,772	1,061,581	(163,809)	
Retirement Costs	1,122,251	1,125,183	(2,932)		1,573,075	1,500,244	72,831	
Total Personnel Expenses	\$ 9,707,838	\$ 9,362,018	\$ 345,819	3.7%	\$ 12,847,780	\$ 12,482,691	\$ 365,089	2.9%
Meeting Expenses								
Meetings & Conference Calls	\$ 9,225	\$ 131,925	(122,700)		\$ 12,301	\$ 175,900	(163,599)	
Travel	77,569	831,549	(753,980)		103,425	1,108,732	(1,005,307)	
Total Meeting Expenses	\$ 86,794	\$ 963,474	\$ (876,680)	-91.0%	\$ 115,726	\$ 1,284,632	\$ (1,168,906)	-91.0%
Operating Expenses								
Consultants & Contracts	\$ 412,830	\$ 979,739	(566,909)		\$ 979,739	\$ 1,306,319	(326,580)	
Office Rent	550,198	580,500	(30,302)		774,000	774,000	-	
Office Costs	416,990	697,745	(280,755)		555,987	930,327	(374,340)	
Professional Services	384,875	396,000	(11,125)		528,000	528,000	-	
Total Operating Expenses	\$ 1,764,893	\$ 2,653,985	\$ (889,092)	-33.5%	\$ 2,837,726	\$ 3,538,646	\$ (700,920)	-19.8%
Total Direct Expenses	\$ 11,559,525	\$ 12,979,477	\$ (1,419,952)	-10.9%	\$ 15,801,232	\$ 17,305,969	\$ (1,504,737)	-8.7%
Indirect Expenses								
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 11,559,525	\$ 12,979,477	\$ (1,419,952)		\$ 15,801,232	\$ 17,305,969	\$ (1,504,737)	
Net Funding less Expenses (A-B)	\$ 1,596,203	\$ 176,250	\$ 1,419,952		\$ 1,739,737	\$ 235,000	\$ 1,504,737	
Fixed Asset Additions, excluding Right of Use Assets	\$ 44,073	\$ 176,250	\$ (132,177)	-75.0%	\$ 1,567,300	\$ 235,000	\$ 1,332,300	566.9%
Total Budget (B + C)	\$ 11,603,597	\$ 13,155,727	\$ (1,552,130)	-11.8%	\$ 17,368,532	\$ 17,540,969	\$ (172,437)	-1.0%
FTEs	60.00	63.00	(3.00)		63.60	63.00	0.60	
Beginning WC-1/1/20	\$ 4,211,767	\$ 4,934,448	\$ (722,681)		\$ 4,211,767	\$ 4,934,448	(722,681)	
Change to WC-2020	1,552,131	-	1,552,131		172,437	-	172,437	
Working Capital at September 30, 2020	\$ 5,763,898	\$ 4,934,448	\$ 829,450		\$ 4,384,204	\$ 4,934,448	\$ (550,244)	
Reserve Activity:								
Beginning ASR - 1/1/20	\$ 3,157,719	\$ 3,157,719	\$ -		\$ 3,157,719	\$ 3,157,719	-	
Penalties Released	(418,289)	(418,289)	-		(557,718)	(557,718)	-	
Penalties Received	-	-	-		-	-	-	
ASR at September 2020 :	\$ 2,739,431	\$ 2,739,431	\$ -		\$ 2,600,001	\$ 2,600,001	\$ -	



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS. NEW YORK. NY 10018 (212) 840-1070 FAX (212) 302-2782

October 19, 2020

North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
Attention: Mr. Andy Sharp

Subject: NPCC Regional Entity Division Variance Comparison and
Third Quarter 2020 Statement of Activities

Dear Andy:

The variance comparison for the period ended September 30, 2020 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Third Quarter 2020 Statement of Activities.

Please do not hesitate to contact me via email at jhala@npcc.org or via telephone at (212) 840-1070 should you have any comments or questions with regard to the materials provided.

Sincerely,

Jessica Hala

Jessica Hala
Director, Finance and Accounting

Enclosures

cc: Mr. Christopher Weir, CPA – NPCC Treasurer
Mr. Edward A. Schwerdt – NPCC President & CEO
Ms. Jennifer Budd Mattiello – NPCC Senior Vice President & COO
ERO Finance Group



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

NPCC Regional Entity Division Budget to Actual Variance Comparison as of September 30, 2020

TOTAL EXPENSES

For the quarter ending September 30, 2020, the NPCC Regional Entity Division is \$1.4M or -11.41% under budget year to date. Based on currently planned activities, NPCC's current full year projection is an under budget variance of \$1.5M or -8.76%. The full impacts of the COVID-19 pandemic to the NPCC Region to some degree are still unknown. NPCC will continue to reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement.

INCOME

- **Penalty Sanctions** (Actual income of \$120k remitted to NPCC as of June 30, 2019 has been applied to reduce 2020 assessments to NPCC U.S. load serving entity designees.) Penalty sanctions remitted from July 1, 2019 through June 30, 2020 are included in NPCC's Assessment Stabilization Reserve to be applied to budget year 2021 and future budget years to reduce assessments to NPCC U.S. load serving entity designees. Penalties collected will be reported in NPCC's audited financial statements in accordance with GAAP.
- **Interest & Investment Income** (Actual income of \$17k year-to-date, \$36k under budget FYP) Interest & investment income earned from the investment of excess operating cash into a 100% U.S. Treasury Securities mutual fund. Full year projection was adjusted based on current and projected yields. NPCC allocated \$17k as a portion of total interest income (93%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2020 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

EXPENSES

- **Personnel Expenses** (Variance of \$597k under budget year-to-date, and \$210k under budget FYP)
 - Several open positions during portions of the first half of the year resulted in lower than budgeted salaries and related benefits. While NPCC had been fully staffed, due to a recent departure NPCC is currently recruiting for one open position. In response to the COVID-19 pandemic, NPCC successfully adjusted recruiting and hiring procedures, conducting teleconference, WebEx and video conference interviews with candidates and remotely onboarding.
- **Meetings and Conference Calls** (Variance of \$696k under budget year-to-date, and \$1.1M under budget FYP)
 - The under budget variance is due to travel being suspended since early March due to the COVID-19 pandemic. NPCC's Spring Compliance and Standards Workshops was converted to a remote attendance webinar format. There was positive feedback received on the virtual format and the workshops was remotely attended by a greater than average number of participants. NPCC held an additional focused virtual Compliance Workshop over the Summer which was also very well received and attended. The Fall

Compliance and Standards Workshop will also be hosted virtually in a webinar format. Other planned meetings and activities have been conducted successfully via webinar, video conferencing and teleconference.

- **Consultants and Contracts** (Variance of \$149k under budget year-to-date, and \$255k under budget FYP)
 - Year-to-date under budget variance is due to the timing of the use of independent contractors for virtual compliance audits and other contract engagements that have been deferred due to the suspension of access to registered entity physical sites related to the COVID-19 pandemic. It is anticipated that onsite compliance audits could resume to some degree in 2021.
- **Office Costs** (Variance of \$73k over budget year-to-date, and \$75k over budget FYP)
 - Year-to-date over budget variance is primarily due to unbudgeted IT expenses related to security enhancements and risk management. The full year projection is \$75k over budget.
- **Professional Services** (Variance of \$44k over budget year-to-date, and as budgeted FYP)
 - Year-to-date over budget variance is due to the timing of the independent audit of NPCC's financial statements for the prior year occurring during the first half of this year. The full year projection continues to be as budgeted.

(Unaudited)
Submitted October 19, 2020



Northeast Power Coordinating Council, Inc. - Regional Entity Division
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the Period Ended September 30, 2020

	2020 YTD Actual	2020 YTD Budget	2020 YTD Actual Variance from Budget Over(Under)	%	2020 Projection	2020 Annual Budget	2020 Projection Variance from Budget Over(Under)	%
Funding								
Assessments	11,504,053	11,504,053	-		15,338,737	15,338,737	-	
Penalties Released*	120,000	120,000	-		120,000	120,000	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	-	-		-	67,500	(67,500)	
Interest & Investment Income	17,222	41,850	(24,628)		20,000	55,800	(35,800)	
Total Funding	11,641,275	11,665,903	(24,628)	-0.21%	15,478,737	15,582,037	(103,300)	-0.66%
Expenses								
Personnel Expenses								
Salaries	5,451,224	5,778,197	(326,973)		7,721,762	7,704,262	17,500	
Payroll Taxes	388,356	419,542	(31,186)		480,520	495,520	(15,000)	
Employee Benefits	1,249,585	1,445,164	(195,579)		1,734,385	1,926,885	(192,500)	
Savings & Retirement	619,077	662,213	(43,136)		862,951	882,951	(20,000)	
Total Personnel Expenses	7,708,241	8,305,115	(596,873)	-7.19%	10,799,618	11,009,618	(210,000)	-1.91%
Meeting Expenses								
Meetings & Conference Calls	44,405	250,225	(205,820)		55,750	397,750	(342,000)	
Travel	101,751	592,130	(490,379)		123,900	845,900	(722,000)	
Total Meeting Expenses	146,156	842,355	(696,199)	-82.65%	179,650	1,243,650	(1,064,000)	-85.55%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	1,352,308	1,501,005	(148,697)		1,816,150	2,071,150	(255,000)	
Rent & Improvements	596,440	626,875	(30,435)		832,700	832,700	-	
Office Costs	587,458	514,486	72,972		760,981	685,981	75,000	
Professional Services	754,640	710,250	44,390		947,000	947,000	-	
Miscellaneous	11,634	38,250	(26,616)		51,000	51,000	-	
Total Operating Expenses	3,302,480	3,390,866	(88,386)	-2.61%	4,407,831	4,587,831	(180,000)	-3.92%
Indirect Expense Allocation	(335,048)	(307,088)	(27,960)	9.11%	(409,450)	(409,450)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	10,821,829	12,231,248	(1,409,419)	-11.52%	14,977,649	16,431,649	(1,454,000)	-8.85%
Change in Net Assets	819,446	(565,345)	1,384,791	-244.95%	501,088	(849,612)	1,350,700	-158.98%
Fixed Asset Additions, excluding Right of Use Assets	89,409	85,000	4,409	5.19%	170,000	170,000	-	0.00%
Net Financing Activity	-	-	-	n/a	-	-	-	n/a
Total Budget (Expenses plus Fixed Assets and Net Financing Activity)	10,911,238	12,316,248	(1,405,010)	-11.41%	15,147,649	16,601,649	(1,454,000)	-8.76%
Change in Working Capital (Total Funding less Total Budget)	730,037	(650,345)	1,380,382	-212.25%	331,088	(1,019,612)	1,350,700	-132.47%
Equivalent Full Time Employees	37.30	41.09	(3.79)		37.94	41.09	(3.15)	
Headcount	41.00	43.00	(2.00)		43.00	43.00	-	
Beginning Total Reserves - 1/1/20	5,017,751	4,426,112	591,639		5,017,751	4,426,112	591,639	
Change to Reserves	730,037	(650,345)	1,380,382		331,088	(1,019,612)	1,350,700	
Total Reserves at 9/30/20	5,747,788	3,775,767	1,972,021		5,348,839	3,406,500	1,942,339	

*Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).



Jill S. Lewton
Controller
3 Summit Park Drive, Suite 600
Cleveland, OH 44131
Office: 216.503.0600
Jill.lewton@rfirst.org

October 16, 2020

Mr. Andy Sharp
North American Electric Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, Georgia 30326

ReliabilityFirst's 2020 3rd Quarter Statement of Activities Variance Report - Unaudited

Dear Mr. Andy Sharp:

As requested, the attached 2020 3rd Quarter Statement of Activities (unaudited) provides a comparison of budgeted and actual expenses relative to the 2020 ReliabilityFirst Corporation's Budget.

For more information, please contact me at 216.503.0600 or jill.lewton@rfirst.org.

Very truly yours,

RELIABILITYFIRST CORPORATION

Jill S. Lewton

Jill S. Lewton
Controller



ReliabilityFirst's 2020 3rd Quarter Statement of Activities Variance Report - Unaudited

Significant Variances

For the quarter ending September 30, 2020 ReliabilityFirst Corporation is \$1,042K (5.86%) under budget. The major contributors to this variance are:

Budget Funding

- **Investment Income:** \$99K (264%) over budget for YTD
 - Investment Income is over budget due to greater than anticipated growth in value of the company's investment portfolio.

Budget Expenses

- **Personnel Expenses**
 - **Employee Benefits:** \$460K (24%) under budget for YTD
Employee Benefits are under budget mainly due to variances in training and medical benefits. Training is under budget due to underutilized budgeted training, as a result of the cancellation of training activities due to the Covid 19 pandemic. Medical benefits are under budget due to personnel being below the approved staffing levels during part of the year, along with employees selecting medical plans that differed from what was budgeted.
- **Meeting Expenses**
 - **Total Meeting Expenses:** \$561K (76%) under budget for YTD
Meeting Expenses are under budget due to the cancellation of meetings and travel as a result of the Covid 19 pandemic.
- **Operating Expenses**
 - **Contracts & Consultants:** \$154K (56%) under budget for YTD
Contracts and Consultants expense is under budget due to the cancellation and postponement of planned contract support for most of the corporate activities, as a result of the Covid 19 pandemic.
 - **Office Costs:** \$58K (10%) over budget for YTD
Office Costs are over budget due to the difference in when Computer Service & Maintenance fees were budgeted and recorded, the purchase of unbudgeted licenses for simulation based training, and the increase in monthly service fees for various service contracts.
 - **Professional Services:** \$68K (21%) over budget for YTD
Professional Services are over budget due to the increase in Independent Director Fees.



RELIABILITY FIRST

- **Fixed Assets**

- **Fixed Assets:** \$368K (98%) under budget for YTD
Fixed Assets are under budget due to the difference in timing of when projects were budgeted and when they would be completed, and the cancellation and postponement of planned projects due to the impacts of the Covid 19 pandemic.

FTE Count

- FTE count is higher than the budget due to the usage of interns and the filling of overlap positions, which are not accounted for in the budgeted FTE count.

Reserves

- **Working Capital Reserve**

The Working Capital Reserve of \$1,528,149 will be utilized to satisfy projected cash flow for daily operations and to stabilize and minimize volatility in future years' assessments.

- **Operating Reserve**

The Operating Reserve of \$1,000,000 has been designated with the intention of providing for any unbudgeted and unexpected expenditures for the organization.

Year-End Projection

- **Expenses**

- For the year-end projection ReliabilityFirst is \$1,074K (4.54%) under budget. The variances in Investment Income, Employee Benefits, Total Meeting Expenses, Contracts & Consultants, Rent & Utilities, and Professional Services are expected to continue through the remainder of the year. Total Personnel Expenses are expected to be over budget at year end, due to a realignment of employees that was announced during the first quarter, and the filling of all the vacant and overlap positions. Office Costs are currently projected to line up with the budget due to the budgeted amounts and actual service fees aligning by year end. Fixed Assets are expected to continue to be under budget at year end, however, several IT projects and office modifications are projected to be completed by year end.

- **FTE Count**

- FTE count is projected to be higher than budget due to the usage of interns, the filling of all overlap positions and two budgeted 2021 new positions, which are not accounted for in the budgeted FTE count.

- **Reserves**

- Working Capital Reserve is projected to increase by \$1.7M and will be used to stabilize and minimize volatility in future years' assessments.



ReliabilityFirst Corporation
Statement of Activities, Fixed Assets and Change in Working Capital
(unaudited)
From 01/01/2020 Through 09/30/2020
(in Whole Numbers)

2020 YTD Actual	2020 YTD Budget	YTD Variance Over/(Under)	% Variance		Total 2020 Projection	Total 2020 Budget	Total 2020 Projected Variance Over/(Under)	% Projected Variance
16,738,967	16,738,967	0	0.00%	Funding				
267,627	267,627	0	0.00%	Assessments	22,318,623	22,318,623	0	0.00%
136,525	37,500	99,025	264.07%	Penalties Released *	267,627	267,627	0	0.00%
4,231	0	4,231	0.00%	Investment Income	182,034	50,000	132,034	264.07%
17,147,351	17,044,094	103,257	0.61%	Miscellaneous Income	4,231	0	4,231	0.00%
				Total Funding	22,772,515	22,636,250	136,265	0.60%
				Expenses				
				Personnel Expenses				
10,962,955	10,592,109	370,846	3.50%	Salaries	14,800,720	14,189,599	611,121	4.31%
725,821	730,408	(4,587)	-0.63%	Payroll Taxes	856,008	846,790	9,218	1.09%
1,493,205	1,953,047	(459,842)	-23.54%	Employee Benefits	1,965,619	2,493,615	(527,996)	-21.17%
1,789,822	1,810,222	(20,400)	-1.13%	Savings & Retirement Costs	2,351,274	2,338,753	12,521	0.54%
14,971,803	15,085,786	(113,983)	-0.76%	Total Personnel Expenses	19,973,621	19,868,757	104,864	0.53%
				Meeting Expenses				
75,217	222,003	(146,786)	-66.12%	Meetings & Conference Calls	90,217	377,140	(286,923)	-76.08%
105,551	520,137	(414,586)	-79.71%	Travel	115,551	697,916	(582,365)	-83.44%
180,768	742,140	(561,372)	-75.64%	Total Meeting Expenses	205,768	1,075,056	(869,288)	-80.86%
				Operating Expenses				
119,668	273,647	(153,979)	-56.27%	Contracts & Consultants	261,668	481,115	(219,447)	-45.61%
437,246	404,469	32,777	8.10%	Rent & Utilities	577,769	539,292	38,477	7.13%
614,486	556,318	58,168	10.46%	Office Costs	810,400	810,400	0	0.00%
398,288	329,950	68,338	20.71%	Professional Services	520,254	442,483	77,771	17.58%
20,703	24,620	(3,917)	-15.91%	Miscellaneous	32,703	43,759	(11,056)	-25.27%
1,590,391	1,589,004	1,387	0.09%	Total Operating Expenses	2,202,793	2,317,049	(114,256)	-4.93%
0	0	0	0.00%	Non-Operating Expenses	0	0	0	0.00%
16,742,962	17,416,930	(673,968)	-3.87%	Total Expenses	22,382,183	23,260,862	(878,679)	-3.78%
404,389	(372,836)	777,225	-208.46%	Net Change in Assets	390,332	(624,612)	1,014,944	-162.49%
9,336	377,500	(368,164)	-97.53%	Increase/(Decrease) in Fixed Assets	195,000	390,000	(195,000)	-50.00%
16,752,298	17,794,430	(1,042,132)	-5.86%	Total Budget (Expenses + Incr/(Decr) in Fixed Assets)	22,577,183	23,650,862	(1,073,679)	-4.54%
395,053	(750,336)	1,145,389	-152.65%	Change in Working Capital (Total Funding less Total Budget)	195,332	(1,014,612)	1,209,944	-119.25%
82.03	79.35	2.68	3.38%	FTE Count	83.14	79.35	3.79	4.78%
2,465,448	1,172,687	1,292,761		WC - 12/31/2019	2,465,448	1,172,687	1,292,761	
(802,422)	0	(802,422)		Less: Adjustment for future liabilities	(802,422)	0	(802,422)	
1,663,026	1,172,687	490,339		Available Working Capital	1,663,026	1,172,687	490,339	
395,053	(750,336)	1,145,389		Change to WC - 2020	195,332	(1,014,612)	1,209,944	
(118,555)	(118,555)	0		Other Adjustments to Reserves	(158,074)	(158,074)	0	
1,939,523	303,796	1,635,727		Total Working Capital	1,700,284	1	1,700,283	
1,528,149	1,528,149	0		Working Capital Reserve	1,528,149	1,528,149	0	
1,000,000	1,000,000	0		Operating Reserve	1,000,000	1,000,000	0	
4,467,672	2,831,945	1,635,727		Total Working Capital and Operating Reserve	4,228,433	2,528,150	1,700,283	

* Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).



October 20, 2020

Mr. Andy Sharp
North American Electric Corporation
3353 Peachtree Road, NE
Atlanta, GA 30326

RE: SERC 2020 Q3 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2020 Q3 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

A handwritten signature in black ink, appearing to read 'George Krogstie', is written over a light blue horizontal line.

George Krogstie
Chief Financial Officer and Corporate Treasurer

cc: Jason Blake

SERC Reliability Corporation
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital

From 1/1/2020 Through 9/30/2020

	2020 YTD Actual	2020 YTD Budget	Variance 2020 YTD Actual v 2020 YTD Budget		2020 Projection	2020 Budget	Variance 2020 Projection v 2020 Budget	
			Over(Under)	%			Over(Under)	%
Funding								
Statutory Funding								
SERC Assessments	\$ 16,844,342	\$ 16,844,342	\$ -		\$ 22,459,123	\$ 22,459,123	\$ -	
Penalties Released*	1,900,000	1,900,000	-		1,900,000	1,900,000	-	
Total Statutory Funding	\$ 18,744,342	\$ 18,744,342	\$ -	0.00%	\$ 24,359,123	\$ 24,359,123	\$ -	0.00%
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Services & Software	-	-	-		-	-	-	
Workshops & Miscellaneous	8,615	147,500	(138,885)		2,765	165,000	(162,235)	
Interest	81,903	45,000	36,903		91,578	60,000	31,578	
Total Funding (A)	\$ 18,834,860	\$ 18,936,842	\$ (101,982)	-0.54%	\$ 24,453,466	\$ 24,584,123	\$ (130,657)	-0.53%
Expenses								
Personnel Expenses								
Salaries	\$ 10,794,864	\$ 10,601,536	\$ 193,328		14,619,080	\$ 14,135,382	\$ 483,698	
Payroll Taxes	746,932	771,153	(24,221)		1,022,053	1,028,204	(6,151)	
Benefits	1,201,016	1,367,444	(166,428)		1,694,548	1,843,730	(149,182)	
Retirement Costs	1,352,270	1,368,136	(15,866)		1,821,816	1,824,181	(2,365)	
Total Personnel Expenses	\$ 14,095,082	\$ 14,108,269	\$ (13,187)	-0.09%	\$ 19,157,497	\$ 18,831,497	\$ 326,000	1.73%
Meeting Expenses								
Meetings & Conference Calls	\$ 27,316	\$ 325,704	\$ (298,388)		\$ 172,125	\$ 521,824	\$ (349,699)	
Travel	110,986	519,722	(408,736)		173,607	805,148	(631,541)	
Total Meeting Expenses	\$ 138,302	\$ 845,426	\$ (707,124)	-83.64%	\$ 345,732	\$ 1,326,972	\$ (981,240)	-73.95%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 1,244,011	\$ 1,787,928	\$ (543,917)		1,873,352	\$ 2,369,580	\$ (496,228)	
Office Rent	632,406	591,957	40,449		840,145	789,276	50,869	
Office Costs	605,112	414,941	190,171		1,089,547	710,349	379,198	
Professional Services	61,660	91,940	(30,280)		110,126	166,140	(56,014)	
Miscellaneous	-	1,200	(1,200)		-	1,200	(1,200)	
Total Operating Expenses	\$ 2,543,189	\$ 2,887,965	\$ (344,776)	-11.94%	\$ 3,913,170	\$ 4,036,545	\$ (123,375)	-3.06%
Total Direct Expenses	\$ 16,776,573	\$ 17,841,660	\$ (1,065,087)	-5.97%	\$ 23,416,399	\$ 24,195,013	\$ (778,614)	-3.22%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 16,776,573	\$ 17,841,660	\$ (1,065,087)	-5.97%	\$ 23,416,399	\$ 24,195,013	\$ (778,614)	-3.22%
Change in Assets	\$ 2,058,287	\$ 1,095,182	\$ 963,105	87.94%	\$ 1,037,067	\$ 389,110	\$ 647,957	166.52%
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 51,043	\$ 213,332	\$ (162,289)	-76.07%	\$ 412,481	\$ 330,000	\$ 82,481	24.99%
TOTAL BUDGET (B+C)	\$ 16,827,616	\$ 18,054,992	\$ (1,227,376)	-6.80%	\$ 23,828,880	\$ 24,525,013	\$ (696,133)	-2.84%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 2,007,244	\$ 881,850	\$ 1,125,394	127.62%	\$ 624,586	\$ 59,110	\$ 565,476	956.65%
FTE's	96.00	98.00	(2.00)		96.00	98.00	(2.00)	
Head Count	96.00	98.00	(2.00)		96.00	98.00	(2.00)	
Beginning WC Reserve at 1/1/2020	1,855,528	1,201,725	653,803		1,855,528	1,201,725	653,803	
Change to WC - 2020	2,007,244	881,850	1,125,394		624,586	59,110	565,476	
Working Capital Reserve at 9/30/2020	<u>3,862,772</u>	<u>2,083,575</u>	<u>1,779,197</u>		<u>2,480,114</u>	<u>1,260,835</u>	<u>1,219,279</u>	
Assessment Stabilization Reserve:								
Beginning AS Reserve at 1/1/2020	5,645,000				5,645,000			
Penalties Released	(1,900,000)				(1,900,000)			
Penalties Received	210,000				210,000			
Assessment Stabilization Reserve 9/30/2020	<u>3,955,000</u>				<u>3,955,000</u>			
Net Assets Designated for Operating Reserves (from audited financial reports)	1,855,528							
Beginning WC - 1/1/2020	<u>1,855,528</u>							

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).



Budget to Actual Comparison as of September 30, 2020 (Unaudited)

Overall Summary

- Spending \$1.227k under budget as timing of expenditures varies from budget
- Funding \$102k under budget attributable to cancellation of workshops
- Full year projected spending \$696k under budget attributable to COVID-19 impact

Income

- **Funding (Actual - \$102k under budget)**
 - Investment income higher than budget due to increased market value offset by workshop revenue lower than budget due to cancellation of workshops
 - Full year projected to be \$131k under budget

Expense

- **Personnel Expenses (Actual - \$13k under budget)**
 - Insurance renewal lower than budget. Full year impact projected to be \$326k over budget due to improved hiring and retaining of talent resulting in lower than budgeted vacancies
- **Meeting/Travel Expenses (Actual - \$707k under budget)**
 - Decreased meeting and travel associated with COVID-19 related postponements, full year impact projected to be \$981k under budget
- **Contracts/Consultants (Actual - \$544k under budget)**
 - Independent Director search fees and Compliance User Group expenses less than budgeted
 - Certain software costs budgeted in Contracts, but expensed in Office Costs
 - Timing of RAPA Dynamic Reduction Model expenses later than budgeted
- **Office Rent (Actual - \$40k over budget)**
 - Common area maintenance expenses higher than expected
- **Office Costs (Actual – \$190k over budget)**
 - Certain software costs budgeted in Contracts, but expensed in Office Costs
- **Professional Services (Actual - \$30k under budget)**
 - Timing of actual legal fees varies from budget
- **Fixed Asset Purchases (Actual - \$162k under budget)**
 - Certain IT projects budgeted deferred until Q4
 - Full year impact projected at \$82k over budget due to accelerated timeline for Member Portal project

October 10, 2020

Mr. Andy Sharp
Controller
North American Electric Reliability Corporation
3353 Peachtree Road NE, Suite 600, North Tower
Atlanta, GA 30326

RE: Texas Reliability Entity, Inc. Third Quarter 2020 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2020 third quarter Statutory Statement of Activities (unaudited) and Variance Report for Texas RE.

Year-to-date Texas RE is 2.9% under budget and explanations are noted below.

Please contact me if you have questions or comments.

Thank you.

Judy Foppiano

Judy A. Foppiano, CPA
CFO & Director of Corporate Services
Texas Reliability Entity, Inc.
805 Los Cimas Parkway, Suite 200
Austin, Texas 78746
Judy.foppiano@texasre.org
512.583.4959

Budget to Actual Comparison as of September 30, 2020

Year-to-date variances greater than \$10,000 and 10% explained below.

FUNDING

- **Penalties Released:** Actual penalty income of \$710,000 remitted to Texas RE as of June 30, 2020 has reduced 2020 assessments. All penalty sanctions remitted from July 1, 2019 through June 30, 2020 will be included in the Texas RE 2021 Business Plan and Budget and applied to reduce 2021 assessments.
- **Interest:** \$15,848 is less than budget. Texas RE's banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. Interest rates are lower at the end of Q3 than anticipated at the time the 2020 budget was prepared.

EXPENSES

Total Budget as of September 30, 2020 is \$300,764 less than budget (-2.9%).

- **Personnel Expenses:** \$160,743 less than budget (-2.0%).
 - This variance is due to health insurance not increasing as projected. The benefit was budgeted to increase 14% but actual costs stayed consistent with prior year.
 - Employee Benefits include education reimbursement and relocation costs not used to date. The forecast has been adjusted accordingly.
- **Meetings and Travel Expenses:** \$191,141 less than 2020 budget (-70.5%).
 - Meetings and Conference cost is \$24,379 (-69.3%) less than budget. A workshop and all meetings were held remotely beginning in March because of the COVID-19 pandemic.
 - Travel is \$166,762 (-70.7%) less than expected. All travel was suspended beginning in March due to the COVID-19 pandemic.
 - The forecast has been adjusted to reflect cost savings.
- **Total Operating Expenses: \$51,120 greater than 2020 budget (2.7%).**
 - Costs for executive coaching and search fees are causing Consultants and Contracts to be over budget.
 - IT managed services are less than budget due to negotiations with vendors after this budget was prepared. Unsued Legal fees and cost for penetration testing add to the variance in Professional Services. Both are planned for fourth quarter.

The forecast has been adjusted to reflect anticipated cost in certain categories.

Texas Reliability Entity, Inc.
Statement of Activities and Fixed Assets
For period ended September 30, 2020
(Unaudited)

Revenue	YTD Actual	YTD Budget	YTD Actual		2020 Forecast	2020 Annual Budget	Forecast	
			Variance from Budget	%			Variance from Budget	%
ERO Funding								
Assessments	\$ 10,008,096	\$ 10,008,096	\$ -	0.0%	\$ 13,344,127	\$ 13,344,127	\$ -	0.0%
Penalties Released	710,000	710,000	-	0.0%	710,000	710,000	-	0.0%
Interest	14,152	30,000	(15,848)	-52.8%	20,000	40,000	(20,000)	-50.0%
Total Revenue	\$ 10,732,248	\$ 10,748,096	\$ (15,848)	-0.1%	\$ 14,074,127	\$ 14,094,127	\$ (20,000)	-0.1%
Expenses								
Personnel Expenses								
Salaries	\$ 5,886,247	\$ 5,714,089	\$ 172,158	3.0%	\$ 7,641,282	\$ 7,641,282	\$ -	0.0%
Payroll Taxes	420,934	422,757	(1,823)	-0.4%	527,533	527,533	-	0.0%
Employee Benefits	820,410	1,144,240	(323,830)	-28.3%	1,150,000	1,501,005	(351,005)	-23.4%
Savings & Retirement	795,772	803,019	(7,247)	-0.9%	1,073,802	1,073,802	-	0.0%
Total Personnel Expenses	\$ 7,923,362	\$ 8,084,105	\$ (160,743)	-2.0%	\$ 10,392,617	\$ 10,743,622	\$ (351,005)	-3.3%
Meeting & Travel Expenses								
Meetings & Conference Calls	\$ 10,775	\$ 35,154	\$ (24,379)	-69.3%	\$ 32,640	\$ 76,140	\$ (43,500)	-57.1%
Travel	69,118	235,880	(166,762)	-70.7%	100,000	318,204	(218,204)	-68.6%
Total Meeting & Travel Expenses	\$ 79,893	\$ 271,034	\$ (191,141)	-70.5%	\$ 132,640	\$ 394,344	\$ (261,704)	-66.4%
Operating Expenses								
Consultants & Contracts	\$ 469,934	\$ 329,634	\$ 140,300	42.6%	\$ 530,000	\$ 489,704	\$ 40,296	8.2%
Rent & Improvements	594,936	619,236	(24,300)	-3.9%	888,786	888,786	-	0.0%
Office Costs	497,780	497,308	472	0.1%	676,070	676,070	-	0.0%
Professional Services	373,013	438,365	(65,352)	-14.9%	588,600	588,600	-	0.0%
Total Operating Expenses	1,935,663	1,884,543	51,120	2.7%	2,683,456	2,643,160	40,296	1.5%
Total Expenses	\$ 9,938,918	\$ 10,239,682	\$ (300,764)	-2.9%	\$ 13,208,713	\$ 13,781,126	\$ (572,413)	-4.2%
Change in Assets	\$ 793,330	\$ 508,414	\$ 284,916	56.0%	\$ 865,414	\$ 313,000	\$ 552,414	176.5%
Fixed Asset Additions, excluding Right of Use Assets	\$ -	\$ -	\$ -	0.0%	\$ 30,000	\$ 30,000	\$ -	0.0%
TOTAL BUDGET	\$ 9,938,918	\$ 10,239,682	\$ (300,764)	-2.9%	\$ 13,238,713	\$ 13,811,126	\$ (572,413)	-4.1%
Change in Working Capital (Total Revenue less Total Budget)	\$ 793,330	\$ 508,414	\$ 284,916	56.0%	\$ 835,414	\$ 283,001	\$ 552,413	195.2%
FTE's	60	60			60	60		
Beginning WC - 1/1/20	\$ 3,823,564	\$ 2,530,999	\$ 1,292,565		\$ 3,823,564	\$ 2,530,999	\$ 1,292,565	
Change to WC - 2020	793,330	508,414	284,916		835,414	283,001	552,413	
Working Capital 9/30/2020	\$ 4,616,894	\$ 3,039,413	\$ 1,577,481		\$ 4,658,978	\$ 2,814,000	\$ 1,844,978	



Jillian Lessner
Vice President and CFAO
October 16, 2020

Mr. Andy Sharp
Vice President and Chief Financial Officer
North American Electric Reliability Corporation
3353 Peachtree Road, N.E. Suite 600, North Tower
Atlanta, GA 30326

RE: WECC Q3 2020 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's third-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2020 year-to-date unaudited results are \$606,000 under budget, excluding the impact of the change in Generally Accepted Accounting Principles' (GAAP) treatment of penalty revenue recognition. Explanations and drivers are noted below.

If you have any questions or need more information, please contact me.

Regards,

Jillian Lessner
Vice President and Chief Financial and Administrative Officer

Enclosures

Cc: Melanie Frye, President and Chief Executive Officer
WECC Finance and Audit Committee

Year-to-date variances greater than \$10,000 and 10% are explained below. The explanations pertain to all statutory activities.

Revenue

- Workshops & Miscellaneous: \$177,000 under budget

Workshops & Miscellaneous are under budget primarily due to the cancellation of the March Reliability and Security Workshop, due to COVID-19. Workshops & Miscellaneous are expected to be \$426,000 under budget at year-end, due to pandemic-related workshop cancellations.

- Interest: \$64,000 over budget

Interest is over budget due to the net of unbudgeted finance charge revenues and lower-than-expected yields on short-term investments. Interest is expected to be over budget by \$54,000 at year-end.

Expenses

- Employee Benefits: \$281,000 under budget

Employee Benefits are under budget due to the net of lower-than-anticipated health reimbursements, lower-than-anticipated use of budgeted training, higher-than-anticipated vacancy rates, and the variance between budgeted versus actual benefit enrollment levels and premiums. Additionally, certain relocation benefits for new employees budgeted in this area are now expensed under Salaries due to changes in tax legislation.

- Meetings & Conference Calls: \$345,000 under budget

Meetings & Conference Calls are under budget primarily due to the cancellation of meetings and workshops due to COVID-19. Meetings & Conference Calls are expected to be \$614,000 under budget at year-end.

- Travel: \$786,000 under budget

Travel is under budget primarily due to the cancellation of on-site audits and in-person meetings and training due to COVID-19 and is expected to be \$1,107,000 under budget at year-end.

Statutory Statement of Activities and Variance Explanations (October 16, 2020)

- Consultants and Contracts: \$368,000 over budget

Consultants and Contracts are over budget due to the net of the elimination of RAPA consulting for a changing resource mix study and unbudgeted information technology (IT) consulting. The IT program area is restructuring the delivery of services to the organization to improve IT effectiveness, achievement of business goals, and WECC's overall security posture. Consultants and Contracts are expected to be over budget by \$285,000 at year-end.

- Professional Services: \$360,000 over budget

Professional Services are over budget primarily due to legal fees related to unanticipated regulatory activities and are expected to be over budget by \$373,000 at year-end.

Fixed Assets

- Fixed Asset Additions: \$202,000 over budget

Fixed Asset Additions are over budget due to unbudgeted improvements to the Salt Lake City office and meeting space. Most of the variance is temporary and will be reimbursed by the landlord through a negotiated tenant improvement allowance in 2020.



Statutory Statement of Activities and Variance Explanations (October 16, 2020)



Western Electricity Coordinating Council Statutory Statement of Activities From 1/1/2020 to 9/30/2020 (Unaudited)

(In Whole Dollars)

	2020 YTD Actual	2020 YTD Budget	2020 YTD Variance Over(Under)	%	2020 Projection	2020 Annual Budget	2020 Projected Variance Over(Under)	%
Funding								
Assessments	25,282,000	25,282,000	-	0.0%	25,282,000	25,282,000	-	0.0%
Penalty Sanctions ¹	2,745,000	2,745,000	-	0.0%	2,745,000	2,745,000	-	0.0%
Workshops & Miscellaneous	31,737	208,750	(177,013)	-84.8%	31,737	457,250	(425,513)	-93.1%
Interest	213,038	148,701	64,337	43.3%	253,890	200,000	53,890	26.9%
Total Funding	28,271,775	28,384,451	(112,676)	-0.4%	28,312,627	28,684,250	(371,623)	-1.3%
Expenses								
Personnel Expenses								
Salaries	11,533,696	11,785,445	(251,749)	-2.1%	16,109,959	16,475,075	(365,116)	-2.2%
Payroll Taxes	814,449	853,430	(38,981)	-4.6%	1,084,089	1,074,352	9,737	0.9%
Employee Benefits	1,509,012	1,790,105	(281,093)	-15.7%	2,148,243	2,377,007	(228,764)	-9.6%
Savings & Retirement	996,306	1,024,418	(28,112)	-2.7%	1,391,652	1,431,482	(39,830)	-2.8%
Total Personnel Expenses	14,853,463	15,453,398	(599,935)	-3.9%	20,733,943	21,357,916	(623,973)	-2.9%
Meeting Expenses								
Meetings & Conference Calls	92,368	437,505	(345,137)	-78.9%	107,758	714,095	(606,337)	-84.9%
Travel	287,150	1,073,592	(786,442)	-73.3%	295,150	1,401,818	(1,106,668)	-78.9%
Total Meeting Expenses	379,518	1,511,097	(1,131,579)	-74.9%	402,908	2,115,913	(1,713,005)	-81.0%
Operating Expenses, excluding Depreciation								
Consultants and Contracts	1,200,644	832,750	367,894	44.2%	1,323,094	1,038,160	284,934	27.4%
Rent & Improvements	894,885	907,934	(13,049)	-1.4%	1,234,944	1,248,251	(13,307)	-1.1%
Office Costs	1,281,180	1,187,296	93,884	7.9%	1,728,835	1,557,312	171,523	11.0%
Professional Services	1,083,086	723,405	359,681	49.7%	1,326,907	953,790	373,117	39.1%
Miscellaneous	-	-	-	-	-	-	-	-
Total Operating Expenses	4,459,795	3,651,385	808,410	22.1%	5,613,780	4,797,513	816,267	17.0%
Total Direct Expenses	19,692,776	20,615,880	(923,104)	-4.5%	26,750,631	28,271,342	(1,520,711)	-5.4%
Indirect Expenses	(418,262)	(421,382)	3,120	-0.7%	(575,663)	(567,267)	(8,396)	1.5%
Other Non-Operating Expenses	-	-	-	-	-	-	-	-
Total Expenses	19,274,514	20,194,497	(919,983)	-4.6%	26,174,968	27,704,075	(1,529,107)	-5.5%
Change in Net Assets	8,997,261	8,189,954	807,307	9.9%	2,137,659	980,175	1,157,484	118.1%
Fixed Asset Additions, excluding Right of Use Assets	256,508	55,000	201,508	366.4%	117,713	52,014	65,699	126.3%
Total Expenditures	19,531,022	20,249,497	(718,475)	-3.5%	26,292,681	27,756,089	(1,463,408)	-5.3%
Change in Working Capital (Total Funding less Total Budget)								
	8,740,753	8,134,954	605,799		2,019,947	928,161	1,091,786	
FTEs	139.76	143.00	(3.24)		146.76	143.00	3.76	
Headcount	141.00	143.00	(2.00)		147.00	143.00	4.00	
Beginning WC - 1/1/20	7,339,148	7,752,113	(412,965)		7,339,148	7,752,113	(412,965)	
Change to WC - 2020 ²	6,626,753	8,134,954	(1,508,201)		(94,053)	928,161	(1,022,214)	
GAAP Penalty Adj to WC ²	2,114,000		2,114,000		2,114,000		(2,114,000)	
Working Capital at 9/30/20	16,079,901	15,887,067	192,834		9,359,095	8,680,274	678,821	

¹ Penalties released in the current year reflects the designated amount of funds released to offset U.S. assessments as approved by the WECC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown on the Penalty Sanctions Variance Reconciliation table and will be reported as income on the audited financial statements in accordance with GAAP.

² The sum of these two amounts equals total change in working capital. See Penalty Sanctions Variance Reconciliation table for additional details on the GAAP penalty adjustment to working capital.



Statutory Statement of Activities and Variance Explanations (October 16, 2020)

Penalty Sanctions Variance Reconciliation

Penalty Information				Business Plan & Budget** (Year to Offset Assessments)			Financial Statements*** (Year Recognized)			2020 Penalty Revenue Variance
Date Invoiced	Amount Invoiced	Date Payment Received	Amount Received	2020	2021	2022	2018	2019	2020	
6/4/2018	2,700,000	7/11/2018	2,700,000	2,700,000			2,700,000			Business Plan & Budget (A) 2,745,000
10/1/2018	45,000	10/16/2018	45,000	45,000			45,000			Financial Statements (B) 631,000
5/30/2019	32,000	7/9/2019	32,000		32,000			32,000		(Over)/Under <u>2,114,000</u>
7/26/2019	87,000	9/4/2019	87,000		87,000			87,000		
8/30/2019	74,000	10/14/2019	74,000		74,000			74,000		
9/27/2019	50,000	11/13/2019	50,000		50,000			50,000		
9/27/2019	59,000	11/13/2019	59,000		59,000			59,000		
11/29/2019	2,678,000	12/23/2019	2,678,000		2,678,000			2,678,000		
11/29/2019	2,180,000	8/27/2020	2,180,000			2,180,000		2,180,000		
1/29/2020	65,000	4/30/2020	65,000		65,000				65,000	
4/7/2020	153,000	5/29/2020	153,000		153,000				153,000	
4/7/2020	70,000	5/7/2020	70,000		70,000				70,000	
4/7/2020	231,000	5/29/2020	231,000		231,000				231,000	
7/2/2020	112,000	8/6/2020	112,000			112,000			112,000	
Total				2,745,000	3,499,000	2,292,000	3,332,686	5,160,000	631,000	
				(A)					(B)	

** Penalties collected between July 1, 20X1 and June 30, 20X2 will offset assessments in budget year 20X3.

*** Penalties are recognized for financial reporting purposes when they are approved by FERC and invoiced.



Schedule for 2022 Business Plan and Budget Preparation

Action

Review

Background

The annual Business Plan and Budget (BP&B) compilation, review, and approval process for both NERC and the Regional Entities takes several months and numerous stakeholders and groups are involved throughout. Specifically, the process includes interactions with the following:

- NERC Board of Trustees and Finance and Audit Committee
- Regional boards and finance committees
- ERO Finance Group, composed of NERC and Regional Entity representatives
- Member Representatives Committee (MRC)
- MRC BP&B Input Group
- Trade associations and forums

Summary

NERC management will review the high-level schedule for the 2022 BP&B preparation process. A detailed schedule with specific dates will be populated in the coming months and posted on the NERC website.